



Delaware Transit Corporation

Financial Statements

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

Table of Contents

	Page
Independent Auditors' Report.....	2
Management's Discussion and Analysis	4
Financial Statements	
Balance Sheets	9
Statements of Revenues, Expenses, and Change in Net Assets	11
Statements of Cash Flows.....	13
Notes to Financial Statements.....	15
Additional Information	
Schedule of Revenues and Expenses Compared to Budget	34
Schedules of Expenses by Mode	
All Modes	35
Fixed Route Directly Operated.....	36
Paratransit Directly Operated.....	37
Fixed Route Purchased Transportation	38
Paratransit Purchased Transportation	39
Rail.....	40



KPMG LLP
Suite 200
30 North Third Street
PO Box 1190
Harrisburg, PA 17108-1190

Independent Auditor's Report

Board of Directors
Delaware Transportation Authority
Delaware Transit Corporation
Dover, Delaware:

We have audited the accompanying balance sheets of the Delaware Transit Corporation (DTC), a subsidiary of Delaware Transportation Authority, which is a blended component unit of the State of Delaware, as of June 30, 2008 and 2007, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of DTC management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DTC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Delaware Transit Corporation and do not purport to, and do not, present fairly the financial position of the State of Delaware, as of June 30, 2008 and 2007, and the changes in its financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Transit Corporation as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note O to the financial statements, DTC adopted Governmental Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2008.

Management's discussion and analysis on pages 4 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on DTC's financial statements. The supplemental information included in Schedule of Revenues and Expenses Compared to Budget and Expenses by Mode on pages 34 through 40 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008 on our consideration of DTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

October 30, 2008

Delaware Transit Corporation

Management's Discussion and Analysis

This section of Delaware Transit Corporation's (DTC) annual financial statements presents our discussion and analysis of DTC's financial performance during the fiscal year ended June 30, 2008.

Background

DTC is a division of the Delaware Department of Transportation (DelDOT) and operates DART First State Public Transportation Service. DTC was formed in 1995 to manage the combined operations of the Delaware Administration for Regional Transit, the Delaware Administration for Specialized Transit, the Delaware Railroad Administration, and Commuter Services Administration. DTC operates 218 fixed route and 225 Paratransit vehicles on 69 routes in Delaware's three counties. DTC contracts with the Southeastern Pennsylvania Transportation Authority (SEPTA) for commuter rail service. DTC also operates and maintains 39 park-and-ride lots and 15 park-and-pool lots with an estimated 5,226 parking spaces. DTC maintains approximately 2,700 bus stops throughout the State, with major transit hubs in Wilmington, Christiana Mall, Dover, and Rehoboth Beach. DTC owns or leases four rail stations that are serviced by SEPTA. All services carry over ten million riders per year.

Financial Highlights

- The 2008 operating revenues were approximately \$13.3 million and were 11.8% higher than 2007 operating revenues. Passenger revenues contributed to the increase.
- Total operating expenses before depreciation were approximately \$93.5 million and were 20.2% higher than 2007 operating expenses. The increase in operating expenses before depreciation is largely due to the current year implementation of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which required DTC to recognize an additional expense for other post-employment benefits in the amount of approximately \$10.0 million. In addition, DTC had increased costs for wages, benefits, and consumables, specifically diesel fuel.
- A \$29.7 million investment was made in capital assets during the current year (a majority of the funding was federal in the amount of \$21.4 million and State in the amount of \$8.3 million). This is primarily attributable to the purchase of revenue vehicles.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

Overview of the Financial Statements

The financial section of this annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) the notes to the financial statements, and 4) other supplementary information.

The financial statements provide both long-term and short-term information about DTC's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

DTC's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the statements of revenues, expenses, and change in net assets. All assets and liabilities associated with the operation of DTC are included in the balance sheets.

Financial Analysis of DTC

Balance Sheets

Total assets increased 29.2% to \$125.6 million. Total liabilities increased 124.6% to \$28.3 million mostly due to increases in accounts payable and other post-employment benefits payable during the current year. Total net assets at June 30, 2008 were approximately \$97.3 million, a 15% increase from June 30, 2007.

Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2008</u>	<u>2007</u>	<u>Percentage Change 2008-2007</u>
Current assets	\$ 36.3	\$26.6	36.5
Capital assets	87.9	69.6	26.3
Other noncurrent assets	<u>1.4</u>	<u>1.0</u>	40.0
Total assets	125.6	97.2	29.2

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2008</u>	<u>2007</u>	Percentage Change <u>2008-2007</u>
Current liabilities	\$ 14.0	\$ 8.3	68.7
Noncurrent liabilities	<u>14.3</u>	<u>4.3</u>	232.6
Total liabilities	28.3	12.6	124.6
Net assets			
Restricted	1.4	1.0	40.0
Invested in capital assets - net of related debt	87.9	69.6	26.3
Unrestricted	<u>8.0</u>	<u>14.0</u>	(42.9)
Total net assets	\$ <u>97.3</u>	\$ <u>84.6</u>	15.0

The increase in current assets is due primarily to an increase in cash and cash equivalents. The increase in total liabilities was due to an increase in accounts payable and other post-employment benefits payable. The large decrease in unrestricted net assets is primarily the result of the implementation of GASB 45 and the corresponding recognition of other post-employment expenses of \$10.0 million.

Change in Net Assets

The increase in net assets as of June 30, 2008 was approximately \$12.7 million, which is an increase in net assets of 15% over 2007. The increase in DTC's 2008 total operating revenues of \$1.4 million is primarily due to increased passenger revenues. Total operating expenses increased 17.6% to approximately \$104.7 million.

Change in Delaware Transit Corporation's Net Assets (in millions of dollars)

	<u>2008</u>	<u>2007</u>	Percentage Change <u>2008-2007</u>
Operating revenues			
Passenger revenue	\$ 11.9	\$ 10.6	12.3
Other operating revenue	<u>1.4</u>	<u>1.3</u>	7.7
Total operating revenues	13.3	11.9	11.8

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

	<u>2008</u>	<u>2007</u>	<u>Percentage Change 2008-2007</u>
Operating expenses			
Total operating expenses before depreciation net of gains on retirements of property and equipment	\$ 93.5	\$ 77.8	20.2
Depreciation, net of gains on retirements of property and equipment	<u>11.2</u>	<u>11.2</u>	-
Total operating expenses	<u>104.7</u>	<u>89.0</u>	17.6
Operating loss	(91.4)	(77.1)	18.5
Nonoperating revenues (expenses), net	1.7	2.8	(39.3)
Transfers from DelDOT	81.1	68.5	18.4
Capital contributions	<u>21.3</u>	<u>8.2</u>	159.8
Change in net assets	12.7	2.4	429.2
Total net assets - beginning of year	<u>84.6</u>	<u>82.2</u>	2.9
Total net assets - end of year	<u>\$ 97.3</u>	<u>\$ 84.6</u>	15.0

The increase in operating expenses over 2007 is due to the increased costs relating to diesel fuel and salaries and fringe benefits, specifically other post-employment benefits.

Capital contributions were up from \$8.2 million in 2007 to \$21.3 million in 2008 due to DTC's vehicle replacement and expansion schedule.

Capital Assets

As of June 30, 2008, DTC had approximately \$164.8 million invested in capital assets, which includes land, buildings, vehicles, communication and support equipment, and furniture and fixtures. Net of accumulated depreciation, DTC's capital assets at June 30, 2008 totaled approximately \$87.9 million.

Net capital assets increased \$18.3 million. The increase in capital assets is attributed to the purchase of 20 expansion revenue vehicles and 60 replacement revenue vehicles amounting to \$29.7 million, offset by depreciation expense of \$11.2 million.

Assets disposed of during 2008 totaled \$3.4 million. Disposals related primarily to the replacement of revenue vehicles.

Delaware Transit Corporation

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budget

DTC submits their operating and capital budgets as part of DelDOT's submission to the General Assembly. DTC's fiscal year 2009 operating and capital budgets have been authorized by the General Assembly to meet the demand for core transit services in the State. The fiscal year 2009 total operating budget is \$88.4 million, which is 4.7% higher than fiscal year 2008. The capital budget is \$50.1 million, which authorizes funding for the purchase of replacement and expansion transit vehicles and rail projects.

GASB 45 was effective for the year ended June 30, 2008. DTC provides post-retirement healthcare benefits to all employees who retire from DTC after meeting eligibility requirements. GASB 45 requires calculation of the unfunded actuarial accrued liability and annual required contribution related to these post-retirement benefits. The pay-as-you-go cash basis costs associated with these benefits were \$.7 million for the year ended June 30, 2008. The impact on the 2008 financial statements based upon the implementation of this standard was the recognition of an additional \$10 million in benefit expenses. DTC expects a similar impact in the 2009 financial statements.

Contacting DTC's Financial Management

This financial report is designed to provide interested parties with a general overview of DTC's finances and to demonstrate DTC's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Delaware Transit Corporation, 900 Public Safety Boulevard, Dover, DE 19901.

Delaware Transit Corporation

Balance Sheets

June 30, 2008 and 2007
See Independent Auditors' Report

Assets

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 26,856,187	\$ 21,650,906
Receivables		
Trade	1,089,710	621,364
State	1,343,030	36,015
Federal	2,614,138	161,004
Inventories of supplies and fuel	3,082,798	2,512,564
Escrow insurance deposits	961,223	1,283,817
Prepaid expenses	<u>347,506</u>	<u>356,841</u>
Total current assets	36,294,592	26,622,511
NONCURRENT ASSETS		
Capital assets	164,823,098	138,519,439
Less: accumulated depreciation	<u>76,904,844</u>	<u>68,867,458</u>
	87,918,254	69,651,981
Prepaid pension	<u>1,446,927</u>	<u>976,275</u>
Total noncurrent assets	<u>89,365,181</u>	<u>70,628,256</u>
 TOTAL ASSETS	 <u><u>\$ 125,659,773</u></u>	 <u><u>\$ 97,250,767</u></u>

See notes to financial statements.

Delaware Transit Corporation

Balance Sheets

June 30, 2008 and 2007
See Independent Auditors' Report

Liabilities and Net Assets

	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable	\$ 8,469,746	\$ 2,699,723
Accrued payroll and related expenses	2,639,620	2,276,794
Compensated absences	863,072	780,906
Other accrued expenses	99,505	99,505
Insurance loss reserve	<u>1,888,651</u>	<u>2,457,537</u>
Total current liabilities	13,960,594	8,314,465
NONCURRENT LIABILITIES		
Compensated absences - net of current portion	1,747,583	1,931,509
Insurance loss reserve - net of current portion	2,542,349	2,377,463
Post-employment benefits payable	<u>10,043,000</u>	<u>-</u>
	<u>14,332,932</u>	<u>4,308,972</u>
Total liabilities	28,293,526	12,623,437
NET ASSETS		
Restricted - pension obligations	1,446,927	976,275
Invested in capital assets	87,918,254	69,651,981
Unrestricted	<u>8,001,066</u>	<u>13,999,074</u>
Total net assets	<u>97,366,247</u>	<u>84,627,330</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 125,659,773</u></u>	<u><u>\$ 97,250,767</u></u>

Delaware Transit Corporation

**Statements of Revenues, Expenses, and
Change in Net Assets**

For the Years Ended June 30, 2008 and 2007

See Independent Auditors' Report

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
Passenger fares	\$ 11,921,695	\$ 10,617,443
Advertising	440,959	418,219
Miscellaneous	308,676	309,836
Auxiliary transportation	<u>641,894</u>	<u>573,051</u>
Total operating revenues	13,313,224	11,918,549
OPERATING EXPENSES		
Vehicle operations	57,657,651	46,374,530
Maintenance		
Vehicle	11,091,451	8,955,716
Nonvehicle	3,976,001	3,644,574
General administration	<u>20,773,609</u>	<u>18,818,234</u>
Total operating expenses before depreciation	93,498,712	77,793,054
Depreciation, net of gain on retirements of property and equipment	<u>11,231,714</u>	<u>11,229,950</u>
Total operating expenses	<u>104,730,426</u>	<u>89,023,004</u>
OPERATING LOSS	(91,417,202)	(77,104,455)
NONOPERATING REVENUES (EXPENSES)		
Federal operating assistance	2,891,901	3,098,065
Pass-through grant revenue	1,955,180	687,038
Pass-through grant expense	(3,928,338)	(2,064,536)
Investment income	<u>733,318</u>	<u>1,098,703</u>
Excess of nonoperating revenues over nonoperating expenses	<u>1,652,061</u>	<u>2,819,270</u>

Continued...

Delaware Transit Corporation

**Statements of Revenues, Expenses, and
Change in Net Assets (Continued)**

**For the Years Ended June 30, 2008 and 2007
See Independent Auditors' Report**

	<u>2008</u>	<u>2007</u>
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	\$ (89,765,141)	\$ (74,285,185)
CAPITAL CONTRIBUTIONS	21,369,485	8,232,278
TRANSFERS FROM DELDOT	<u>81,134,573</u>	<u>68,432,517</u>
CHANGE IN NET ASSETS	12,738,917	2,379,610
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>84,627,330</u>	<u>82,247,720</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 97,366,247</u>	<u>\$ 84,627,330</u>

Delaware Transit Corporation

Statements of Cash Flows

For the Years Ended June 30, 2008 and 2007

See Independent Auditors' Report

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from passengers	\$ 11,453,349	\$ 10,469,414
Payments to suppliers	(29,569,989)	(34,558,539)
Payments to employees	(46,558,163)	(43,099,056)
Insurance claims paid	(2,732,024)	(2,828,819)
Other receipts	<u>1,391,531</u>	<u>1,301,106</u>
Net cash used in operating activities	(66,015,296)	(68,715,894)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal operating subsidies	3,049,656	2,940,310
Pass-through grant revenue receipts	1,955,180	687,038
Pass-through grant revenue payments	(3,928,338)	(2,064,536)
Transfers from DeIDOT	<u>73,053,320</u>	<u>66,003,095</u>
Net cash provided by noncapital financing activities	74,129,818	67,565,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital contributions	18,758,597	8,395,154
Transfers from DeIDOT - capital	6,774,239	2,586,931
Acquisition of capital assets	(29,680,470)	(10,840,184)
Proceeds from sale of equipment	<u>182,481</u>	<u>165,894</u>
Net cash provided by (used in) capital and related financing activities	(3,965,153)	307,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in escrow insurance deposits	322,594	649,225
Interest income received	<u>733,318</u>	<u>1,098,703</u>
Net cash provided by investing activities	<u>1,055,912</u>	<u>1,747,928</u>

Continued...

Delaware Transit Corporation

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2008 and 2007

See Independent Auditors' Report

	<u>2008</u>	<u>2007</u>
Net increase in cash and cash equivalents	\$ 5,205,281	\$ 905,736
CASH AND CASH EQUIVALENTS - BEGINNING	<u>21,650,906</u>	<u>20,745,170</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 26,856,187</u></u>	<u><u>\$ 21,650,906</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (91,417,202)	\$ (77,104,455)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation, net of gains on retirements of property and equipment	11,231,714	11,229,950
Changes in assets and liabilities		
Increase in accounts receivable	(468,346)	(148,029)
Increase in inventories	(570,234)	(297,223)
(Increase) decrease in prepaid expenses	9,335	(117,471)
Increase in prepaid pension	(470,652)	(287,391)
Increase (decrease) in accounts payable	5,770,023	(1,775,052)
Decrease in insurance loss reserve	(404,000)	(624,020)
Increase (decrease) in compensated absences	(101,760)	273,792
Decrease in other accrued expenses	-	(33,484)
Increase in accrued payroll and related expenses	362,826	167,489
Increase in post-employment benefit	<u>10,043,000</u>	<u>-</u>
Net cash used in operating activities	<u><u>\$ (66,015,296)</u></u>	<u><u>\$ (68,715,894)</u></u>

See notes to financial statements.

Delaware Transit Corporation

Notes to Financial Statements

See Independent Auditors' Report

Note A - Authorizing Legislation

Pursuant to Title 2 of the Delaware Code, Sections 1304(a) and 1307(a) as enacted by 69 Delaware Law Chapter 435, Delaware Transit Corporation (DTC) was created in fiscal year 1995 as a subsidiary public corporation of the Delaware Transportation Authority (the Authority). DTC is authorized to operate the public transportation system within the State of Delaware (the State).

The Authority is an independent operating arm of the Delaware Department of Transportation (DelDOT) and a body corporate and politic, constituting a public instrumentality of the State. The Authority was created in 1976 and later reorganized in 1979 by the Enabling Act. The Authority was created to foster the planning and financing of an economical, comprehensive, and integrated system of air, water, vehicular, public, and specialized transportation for the benefit of all people of the State.

Note B - Significant Accounting Policies

1. Reporting Entity

DTC is a subsidiary public corporation of the Authority. As a result of the Authority's relationship with the State, DTC's financial statements are included in the comprehensive annual financial report of the State in accordance with accounting principles generally accepted in the United States of America.

2. Basis of Accounting

DTC operates as an enterprise fund. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred regardless of the timing of the related cash flows.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of demand and time deposits and securities with an original maturity of three months or less when purchased.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

3. Cash and Cash Equivalents (Continued)

Included in cash at June 30, 2008 and 2007 was \$3,469,777 and \$3,551,183, respectively, which will be utilized to fund the remaining unpaid loss insurance liability (see Note K) less the escrow insurance deposits.

4. Inventories

Inventories are accounted for at the lower of cost or market. Cost is determined using the average cost method.

5. Capital Assets

Capital assets, which include land, buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters, are defined by DTC as all assets purchased with State and federal grant money as well as any asset with a cost greater than \$5,000 purchased with operating money. Capital assets are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Buildings, vehicles, equipment, furniture and fixtures, and bus signs and shelters are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10 - 40 years
Revenue vehicles	4 - 12 years
Service vehicles and equipment	3 - 4 years
Communication equipment	5 - 12 years
Furniture and fixtures	3 - 10 years
Bus signs and shelters	10 years

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

6. Compensated Absences

Substantially all employees receive compensation for vacations, illness, and certain other qualifying absences. The number of days compensated in the various categories of absence is based generally on length of service. Compensated absences that have been earned but not paid have been recorded in the accompanying financial statements.

7. Customer Fares

Customer fares are recorded as revenue at the time services are provided to passengers.

8. Allowance for Uncollectible Accounts

Management charges income with doubtful accounts when they are considered uncollectible. At June 30, 2008 and 2007, there was no allowance for doubtful accounts.

9. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. Revenues and Expenses

DTC defines nonoperating revenues as federal operating subsidies, pass-through grant revenue, and investment income. All other revenues are derived from the normal operations of DTC. Nonoperating expenses are defined as pass-through grant expense. All other expenses are a result of normal operations.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note B - Significant Accounting Policies (Continued)

11. Pass-Through Revenues and Expenses

Pass-through revenues and expenses relate to federal, State, and other agency funding received by DTC that is subsequently distributed to local nonprofit subrecipient organizations and other agencies to fund transportation-related operations and capital improvement programs.

12. Financial Accounting Standards Board (FASB) Pronouncements

DTC has elected not to apply FASB pronouncements issued after November 30, 1989.

Note C - Cash and Investments

Cash Management Policy

DTC follows the guidelines and requirements issued and adopted by the Cash Management Policy Board of the State. The Policy is available on the Internet at www.state.de.us/treasure.

Custodial Credit Risk

Deposits - All deposits are held by one financial institution and are carried at cost, which approximates market value. The carrying amounts of DTC's deposits at June 30, 2008 and 2007 were \$26,856,187 and \$21,650,906, respectively, and the bank balances were \$27,928,625 and \$23,362,317, respectively. The differences between bank balances and carrying amounts resulted from outstanding checks and deposits in transit. The entire bank balances at June 30, 2008 and 2007 of \$27,928,625 and \$23,362,317, respectively, were covered by federal depository insurance for \$100,000, and by collateral held by DTC's Trustee, in DTC's name, for the remainder.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note D - Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>392,389</u>	<u>-</u>	<u>(392,389)</u>	<u>-</u>
Total capital assets not being depreciated	2,264,925	-	(392,389)	1,872,536
Capital assets being depreciated				
Buildings	37,497,540	1,125,247	(82,085)	38,540,702
Revenue vehicles	74,768,207	27,933,246	(3,094,019)	99,607,434
Service vehicles and equipment	5,019,686	479,780	(188,304)	5,311,162
Communication equipment	15,609,605	273,270	-	15,882,875
Furniture and fixtures	348,871	7,218	(2,219)	353,870
Bus signs and shelters	<u>3,010,605</u>	<u>254,097</u>	<u>(10,183)</u>	<u>3,254,519</u>
	136,254,514	30,072,858	(3,376,810)	162,950,562
Less: accumulated depreciation				
Buildings	9,692,082	1,209,717	(56,247)	10,845,552
Revenue vehicles	43,273,898	7,899,935	(3,043,163)	48,130,670
Service vehicles and equipment	3,340,923	490,062	(185,986)	3,644,999
Communication equipment	10,233,749	1,498,331	-	11,732,080
Furniture and fixtures	202,593	26,269	(2,056)	226,806
Bus signs and shelters	<u>2,124,213</u>	<u>203,727</u>	<u>(3,203)</u>	<u>2,324,737</u>
	<u>68,867,458</u>	<u>11,328,041</u>	<u>(3,290,655)</u>	<u>76,904,844</u>
Total capital assets being depreciated, net	<u>67,387,056</u>	<u>18,744,817</u>	<u>(86,155)</u>	<u>86,045,718</u>
Total capital assets, net	<u>\$ 69,651,981</u>	<u>\$ 18,744,817</u>	<u>\$ (478,544)</u>	<u>\$ 87,918,254</u>

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note D - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 1,872,536	\$ -	\$ -	\$ 1,872,536
Construction in progress	<u>392,389</u>	<u>-</u>	<u>-</u>	<u>392,389</u>
Total capital assets not being depreciated	2,264,925	-	-	2,264,925
Capital assets being depreciated				
Buildings	37,304,712	192,828	-	37,497,540
Revenue vehicles	67,991,464	10,366,509	(3,589,766)	74,768,207
Service vehicles and equipment	4,826,635	195,069	(2,018)	5,019,686
Communication equipment	15,582,134	27,471	-	15,609,605
Furniture and fixtures	399,816	6,220	(57,165)	348,871
Bus signs and shelters	<u>2,979,023</u>	<u>52,087</u>	<u>(20,505)</u>	<u>3,010,605</u>
	129,083,784	10,840,184	(3,669,454)	136,254,514
Less: accumulated depreciation				
Buildings	8,409,192	1,282,890	-	9,692,082
Revenue vehicles	38,946,579	7,811,870	(3,484,551)	43,273,898
Service vehicles and equipment	2,910,304	431,163	(544)	3,340,923
Communication equipment	8,715,805	1,517,944	-	10,233,749
Furniture and fixtures	228,378	25,340	(51,125)	202,593
Bus signs and shelters	<u>1,930,810</u>	<u>203,153</u>	<u>(9,750)</u>	<u>2,124,213</u>
	<u>61,141,068</u>	<u>11,272,360</u>	<u>(3,545,970)</u>	<u>68,867,458</u>
Total capital assets being depreciated, net	<u>67,942,716</u>	<u>(432,176)</u>	<u>(123,484)</u>	<u>67,387,056</u>
Total capital assets, net	<u>\$ 70,207,641</u>	<u>\$ (432,176)</u>	<u>\$ (123,484)</u>	<u>\$ 69,651,981</u>

Depreciation expense for fiscal years 2008 and 2007 was \$11,328,041 and \$11,272,360, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note E - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,712,415	\$ -	\$ (101,760)	\$2,610,655	\$ 863,072
Loss reserve - insurance	4,835,000	3,223,666	(3,627,666)	4,431,000	1,888,651
Post-employment benefit liability	<u>-</u>	<u>10,767,000</u>	<u>(724,000)</u>	<u>10,043,000</u>	<u>-</u>
Long-term liabilities	<u>\$7,547,415</u>	<u>\$13,990,666</u>	<u>\$(4,453,426)</u>	<u>\$17,084,655</u>	<u>\$2,751,723</u>

Long-term liability activity for the year ended June 30, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$2,438,619	\$ 273,796	\$ -	\$2,712,415	\$ 780,906
Loss reserve - insurance	<u>5,459,020</u>	<u>2,727,921</u>	<u>(3,351,941)</u>	<u>4,835,000</u>	<u>2,457,537</u>
Long-term liabilities	<u>\$7,897,639</u>	<u>\$3,001,717</u>	<u>\$(3,351,941)</u>	<u>\$7,547,415</u>	<u>\$3,238,443</u>

Note F - Union Contracts

Operators and maintenance personnel of the North District Fixed Route system are represented by the Amalgamated Transit Union AFL-CIO, Local 842. The term of the current Collective Bargaining Agreement covers the period starting March 1, 2002 through November 30, 2007. As of October 30, 2008, DTC is still negotiating terms for a new contract with the Amalgamated Transit Union, Local 842, AFL-CIO.

Paratransit Specialists statewide and South District Fixed Route operators are also represented by the Amalgamated Transit Union AFL-CIO, Local 842, under a separate Collective Bargaining Agreement. The term of the current Collective Bargaining Agreement covers the period July 1, 2003 through June 30, 2008. As of October 30, 2008, DTC is still negotiating terms for a new contract with the Amalgamated Transit Union, Local 842, AFL-CIO.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note F - Union Contracts (Continued)

Certain administrative, operations, and maintenance personnel are represented by the Office and Professional Employee International Union, Local 32, AFL-CIO. The term of the current Collective Bargaining Agreement is from January 1, 2007 through December 31, 2009.

Note G - Defined Benefit Pension Plans

Plan Descriptions

DTC contributes to two single-employer defined benefit pension plans: the Delaware Transit Corporation Pension Plan, with participation limited to full-time, nonunion salaried employees; and the Contributory Pension Plan, for all full-time members of Local #842 Amalgamated Transit Union and Local #32, Office and Professional Employee International Union. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. Each plan issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing or calling DTC at its Dover offices.

Funding Policy and Annual Pension Cost

The trustees of each plan establish and may amend the contribution requirements of plan members and DTC. The most recent information available for DTC's annual pension cost and related information for each plan is as follows:

	<u>DTC Pension Plan</u>	<u>Contributory Pension Plan</u>
Contribution rates:		
Employer	*	5.00%
Participants	N/A	5.00%
Annual pension cost	\$768,204	\$440,338
Contributions made	\$800,040	\$879,154
Actuarial valuation date	7/01/07	1/01/08
Actuarial cost method	Frozen Initial Liability	Entry Age Normal
Remaining amortization period	18	30
Asset valuation method	Market	Five-Year Smoothed Market

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note G - Defined Benefit Pension Plans (Continued)

Actuarial assumptions:

Investment rate of return	7.50%	7.00%
Projected salary increases	4.50%	4.00%

Note: * = Actuarially Determined and N/A = Not Applicable

For the contributory pension plan valuation dated January 1, 2008, the actuarial cost method was changed from the aggregate method to the entry age normal method. In addition, the asset valuation method was changed to the five-year smoothed market method.

Three-Year Trend Information

	Plan Year Ended	Contribution Made	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Asset
DTC Pension Plan	06/30/2006	\$626,894	\$626,894	100.00%	\$ -
	06/30/2007	707,897	707,897	100.00%	-
	06/30/2008	800,040	768,204	104.14%	31,836
Contributory Pension Plan	12/31/2005	748,661	542,133	138.10%	688,884
	12/31/2006	835,280	547,899	152.45%	976,275
	12/31/2007	879,154	440,338	199.65%	1,415,091

Schedules of Funding Progress

DTC Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Deficit) as a Percentage of Covered Payroll ((a - b)/c)
07/01/2005	\$ 7,539,479	\$ 7,932,143	\$(392,664)	95.05%	\$8,019,950	(4.89)%
07/01/2006	8,709,127	9,076,068	(366,941)	95.96%	8,897,785	(4.12)%
07/01/2007	10,533,449	10,873,946	(340,497)	96.87%	9,993,019	(3.40)%

Contributory Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess (Deficit) of Assets Over AAL (a - b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Deficit) as a Percentage of Covered Payroll ((a - b)/c)
01/01/2008	\$26,949,255	\$27,608,650	\$(659,395)	97.61%	\$18,689,331	(3.53)%

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note H - Operating Leases

DTC has several noncancellable operating leases, primarily for operation and maintenance facilities, which expire at various times through June 29, 2020. Those leases require DTC to pay for maintenance and liability insurance costs. Rental expenses were \$20,898 and \$23,213 for the years ended June 30, 2008 and 2007, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2008 are as follows:

2009	\$ 9,714
2010	7,800
2011	7,800
2012	3,800
2013	1,800
2014 - 2018	9,000
2019 - 2023	<u>3,600</u>
	<u>\$43,514</u>

DTC has an operating lease agreement for transit vehicle tires, which will expire on May 19, 2009. The lease agreement requires DTC to make monthly payments based on miles driven multiplied by a mileage rate as set forth in the agreement. The mileage rate is based on contract year and estimated annual vehicle miles. For the years ended June 30, 2008 and 2007, DTC incurred expenses related to this lease of \$190,077 and \$128,118, respectively.

Note I - Economic Dependency

DTC's revenue from operating subsidies from the State was approximately 77% and 78% of total revenue for the years ended June 30, 2008 and 2007, respectively.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note J - Commitments and Contingencies

Litigation

DTC is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of DTC.

Note K - Risk Management

Workers' Compensation Insurance

DTC maintains coverage for workers' compensation benefits. DTC manages the coverage through both the retention of risk and the purchase of commercial insurance. The payment of workers' compensation claims is processed through a third-party administrator.

For years prior to 2003, DTC would establish a workers' compensation loss reserve based upon the insurance carriers' actuarial reviews. Benefit claims in an amount of \$100,000 or less per person, per coverage year are paid by DTC from the workers' compensation loss reserve. Once any claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount, the insurance policy covers the excess.

For fiscal year 2003, DTC changed its coverage to a first dollar program. Also, all claims were subject to a \$5,000 deductible for the medical portion of a claim. All other expenses related to a claim were covered by the insurance carrier.

Subsequent to fiscal year 2003, DTC changed its coverage and was insured through the State of Delaware. Under the State program, DTC paid a premium calculated as \$1.45 and \$1.60 per \$100 of payroll for the years ended June 30, 2008 and 2007, respectively. DTC is not responsible for any costs other than the premium paid, thus no loss contingency reserves were established.

Auto Insurance

DTC maintains auto insurance coverage through both the retention of risk and the purchase of commercial insurance. Auto loss reserves that are based upon actuarial reviews were established by DTC.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note K - Risk Management (Continued)

Auto Insurance (Continued)

For years prior to 2003, DTC would establish auto loss reserves based upon insurance carriers' actuarial reviews. Individual claims in an amount of \$100,000 or less per incident, per coverage year were paid from the auto loss reserve funds. Once a specific claim exceeds \$100,000 or total claims for a given policy period exceed the maximum loss amount established by the insurance carrier, the insurance policy covers the excess.

For 2003 and subsequent years, DTC changed its auto insurance coverage whereby they established self-insured retention thresholds up to certain dollar amounts and purchased commercial insurance (wrap-around) policies for amount coverage in excess of the self-insured retention thresholds. DTC established initial loss reserve insurance liabilities for each of the years based upon actuarially determined valuations assuming DTC's maximum liability exposure to be \$300,000 per occurrence (this reflects the sovereign immunity cap pursuant to Title 2 of the Delaware Code, Subsection 1329).

For individual claims in excess of the sovereign immunity cap, DTC retained a maximum amount of loss based upon their self-insured retention program and the balance would be covered by commercial insurance.

	Initial Loss Reserve Insurance Liability <u>Established</u>	Maximum Amount of Loss Under Self-Insured Retention Program <u>(Per Occurrence)</u>	Excess Commercial Coverage <u>(Aggregate)</u>
2003	\$2,561,000	\$1,300,000	\$10,000,000
2004	2,666,763	1,300,000	6,000,000
2005	2,763,367	2,300,000	5,000,000
2006	2,858,258	2,300,000	5,000,000
2007 (7/1/06 - 1/14/07)	2,607,350	2,300,000	5,000,000
2007 (1/15/07 - 6/30/07)	*	900,000	100,000
2008	3,106,000	900,000	100,000

*Initial loss reserve established July 1, 2006 in the amount of \$2,607,350 for the entire fiscal year.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note K - Risk Management (Continued)

Auto Insurance (Continued)

The components of the remaining insurance loss reserve on DTC's balance sheets were as follows at June 30,:

	<u>2008</u>	<u>2007</u>
Auto loss reserve remaining for fiscal year 2008	\$1,827,000	\$ -
Auto loss reserve remaining for fiscal year 2007	1,367,000	2,304,000
Auto loss reserve remaining for fiscal year 2006	943,000	1,381,000
Auto loss reserve remaining for fiscal year 2005	187,000	535,000
Auto loss reserve remaining for fiscal year 2004	71,000	475,000
Auto loss reserve remaining for fiscal year 2003	31,000	80,000
Auto loss reserve remaining for fiscal year 2002	-	20,000
Auto loss reserve remaining for fiscal year 2000	-	32,000
Auto loss reserve remaining for fiscal year 1999	<u>5,000</u>	<u>8,000</u>
	<u>\$4,431,000</u>	<u>\$4,835,000</u>

Changes in the balances of total claim liabilities during fiscal years 2008 and 2007 were as follows:

<u>Fiscal Year</u>	<u>Beginning Balance July 1</u>	<u>Current Year Estimated Claims and Changes in Estimates</u>	<u>Actual Claim Payments</u>	<u>Ending Balance June 30</u>
2007	\$5,459,020	\$2,204,799	\$(2,828,819)	\$4,835,000
2008	\$4,835,000	\$2,328,024	\$(2,732,024)	\$4,431,000

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note L - Designated Net Assets

Unrestricted net assets designated by management are as follows for the fiscal years ended June 30,:

	<u>2008</u>	<u>2007</u>
Designated as working capital reserve for operations	\$3,001,066	\$ 9,656,166
Designated as reserve for funding other post-employment benefits	5,000,000	-
Designated as reserve for self insurance	<u>-</u>	<u>4,342,908</u>
Total unrestricted net assets designated by management	<u>\$8,001,066</u>	<u>\$13,999,074</u>

Management has determined that DTC ideally needs an appropriate working capital reserve of approximately 1½ months of operating expenses before depreciation in order to ensure that DTC's financial obligations can be met timely without disruption. This is based on the fact that DTC does not have external bank credit facilities that it can rely on and timing issues that may arise with the receipt of State operating subsidy revenues.

In previous years, management has designated a portion of unrestricted net assets to facilitate future enhancements to DTC's self-insured retention program. Management no longer deems those enhancements to be realistic.

Note M - Transfers

The following amounts were transferred from DeIDOT to DTC for the fiscal years ended June 30,:

	<u>2008</u>	<u>2007</u>
Amounts transferred as operating assistance	\$71,153,800	\$64,949,492
Amounts transferred as pass-through grant revenues	1,899,520	1,052,634

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note M - Transfers (Continued)

	<u>2008</u>	<u>2007</u>
Amounts transferred as capital funding for purchase of capital assets	\$ <u>8,081,253</u>	\$ <u>2,430,391</u>
Total transfers from DelDOT	\$ <u>81,134,573</u>	\$ <u>68,432,517</u>

Note N - Advertising

Advertising costs are charged to operations when incurred. Total advertising costs of \$659,079 and \$779,608 were incurred for the fiscal years ended June 30, 2008 and 2007, respectively.

Note O - Post-Employment Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirement of GASB Statement No. 45 during the year ended June 30, 2008, DTC recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on DTC's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

Plan Description. DTC provides continuation of medical insurance coverage to employees that retire. Based on collective bargaining agreements, any full-time employee is eligible to participate in the plan if the employee retires after meeting the eligibility requirements, which are: 1) age 65 with 5 years of service or after working for 25 years for contract employees or 2) age 55 with 10 years of service or age 62 with five years of service for noncontract employees. Disabled employees must reach retirement eligibility. Surviving spouses of participants are allowed access to the plan and receive the same subsidy as retirees.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note O - Post-Employment Benefits (Continued)

DTC subsidizes the medical premium. The subsidized percentage is 90% of published rates for retirees less than age 65 and 100% for retirees age 65 or greater. DTC subsidizes 100% of the dental and vision coverage for noncontract employees. Contract employees are allowed access to dental and vision coverage, but must pay the full premium.

Life insurance is provided to retirees. Retirees under age 70 receive \$6,000 in coverage. Once the participant reaches age 70, the coverage drops to \$5,000. Each participant must contribute \$0.43 per month per \$1,000 of coverage to receive the benefit.

The number of participants are 718 active employees and 105 retirees as of May 1, 2008, the effective date of the other post-employment benefit (OPEB) actuarial valuation report.

Funding Policy. DTC currently pays for post-employment health care benefits on a pay-as-you-go basis. Although DTC is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay the accumulated liability, these financial statements assume that the pay-as-you-go funding will continue. The cash basis costs associated with these benefits were \$723,447 and \$612,415 for the years ended June 30, 2008 and 2007, respectively.

Annual OPEB Cost and Net Obligation. DTC's annual OPEB cost (expense) is calculated based upon the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of DTC's OPEB cost for the year, the amount actually contributed to the plan, and changes to DTC's net OPEB obligation:

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note O - Post-Employment Benefits (Continued)

Annual required contribution	\$10,767,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	10,767,000
Contributions made	<u>(724,000)</u>
Increase in net OPEB obligation	10,043,000
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$10,043,000</u>

DTC's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$10,767,000	6.7%	\$10,043,000

Funded Status and Funding Progress. As of June 30, 2008, the plan was zero percent funded. The actuarial accrued liability was \$76,135,000, which is equivalent to the unfunded actuarial accrued liability. The covered payroll (annual payroll of active employees covered by the plan) was \$29,535,214, and the ratio of the UAAL to the covered payroll was 258%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Delaware Transit Corporation

Notes to Financial Statements (Continued)

See Independent Auditors' Report

Note O - Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2008 actuarial valuation, the projected unit credit method was used with linear pro-rata to assumed benefit commencement. The actuarial assumptions included a 4% investment rate of return, 4% payroll growth rate, a 3.2% inflation rate, and a healthcare cost trend rate of 9% initially, reduced by decrements to 7.10% after ten years. The ultimate healthcare cost trend rate will remain constant at 5.2% after 2080. The unfunded liability is being amortized as a level percentage of payroll over a 30-year amortization period.

Additional Information

Delaware Transit Corporation
Schedule of Revenues and Expenses
Compared to Budget

For the Year Ended June 30, 2008
See Independent Auditors' Report

	(Unaudited) Budget	Actual	Favorable (Unfavorable)
OPERATING REVENUES			
Passenger fares	\$ 10,927,100	\$ 11,921,695	\$ 994,595
Advertising	300,000	440,959	140,959
Miscellaneous	100,000	308,676	208,676
Auxiliary transportation	423,000	641,894	218,894
Total operating revenues	11,750,100	13,313,224	1,563,124
OPERATING EXPENSES	86,853,900	93,498,712	6,644,812
OPERATING EXPENSES IN EXCESS OF OPERATING REVENUES	(75,103,800)	(80,185,488)	(5,081,688)
NONOPERATING REVENUES (EXPENSES)			
Federal operating assistance	3,198,400	2,891,901	(306,499)
Pass-through grant revenue	300,000	1,955,180	1,655,180
Pass-through grant expense	(378,400)	(3,928,338)	(3,549,938)
Investment income	830,000	733,318	(96,682)
Excess of nonoperating revenues over expenses	3,950,000	1,652,061	(2,297,939)
TRANSFERS FROM DELDOT FOR OPERATING PURPOSES			
State operating assistance	71,153,800	71,153,800	-
State pass-through grant revenue	-	1,899,520	1,899,520
Total transfers for operating purposes	71,153,800	73,053,320	1,899,520
INCOME BEFORE CONTRIBUTIONS AND DEPRECIATION NET OF GAINS ON RETIREMENTS ON PROPERTY AND EQUIPMENT	\$ -	\$ (5,480,107)	\$ (5,480,107)

Delaware Transit Corporation
Schedule of Expenses by Mode - All Modes
For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 19,596,032	\$ -	\$ -	\$ -	\$ 19,596,032
Other salaries	2,473,103	4,186,259	455,052	6,736,500	13,850,914
	<u>22,069,135</u>	<u>4,186,259</u>	<u>455,052</u>	<u>6,736,500</u>	<u>33,446,946</u>
FRINGE BENEFITS	17,229,525	3,296,278	453,949	5,827,451	26,807,203
SERVICES					
Professional and technical	52,094	-	98	2,371,996	2,424,188
Contract and maintenance	-	1,004,706	1,495,801	117,161	2,617,668
Security	-	-	8,437	328,649	337,086
Other	64,103	12,370	78,370	213,972	368,815
	<u>116,197</u>	<u>1,017,076</u>	<u>1,582,706</u>	<u>3,031,778</u>	<u>5,747,757</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	7,645,786	114,812	-	-	7,760,598
Tires and tubes	376,547	3,663	-	-	380,210
Other materials	89,375	2,473,363	259,180	295,373	3,117,291
	<u>8,111,708</u>	<u>2,591,838</u>	<u>259,180</u>	<u>295,373</u>	<u>11,258,099</u>
UTILITIES	-	-	1,117,834	-	1,117,834
INSURANCE	-	-	-	2,844,700	2,844,700
PURCHASED TRANSPORTATION	10,131,086	-	-	-	10,131,086
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	114,463	114,463
Travel and meetings	-	-	-	1,018,510	1,018,510
Advertising	-	-	-	783,455	783,455
Facilities	-	-	107,280	-	107,280
Other	-	-	-	121,379	121,379
	<u>-</u>	<u>-</u>	<u>107,280</u>	<u>2,037,807</u>	<u>2,145,087</u>
TOTAL EXPENSES	<u>\$ 57,657,651</u>	<u>\$ 11,091,451</u>	<u>\$ 3,976,001</u>	<u>\$ 20,773,609</u>	<u>\$ 93,498,712</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Directly Operated

For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 10,265,276	\$ -	\$ -	\$ -	\$ 10,265,276
Other salaries	1,462,117	2,975,236	143,044	2,458,769	7,039,166
	<u>11,727,393</u>	<u>2,975,236</u>	<u>143,044</u>	<u>2,458,769</u>	<u>17,304,442</u>
FRINGE BENEFITS	7,769,169	2,044,854	102,720	1,611,437	11,528,180
SERVICES					
Professional and technical	21,179	-	39	915,437	936,655
Contract and maintenance	-	396,122	537,890	107,120	1,041,132
Security	-	-	3,341	130,145	133,486
Other	27,353	9,188	31,035	93,782	161,358
	<u>48,532</u>	<u>405,310</u>	<u>572,305</u>	<u>1,246,484</u>	<u>2,272,631</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	4,678,330	42,448	-	-	4,720,778
Tires and tubes	216,965	1,334	-	-	218,299
Other materials	37,432	1,763,515	102,635	125,069	2,028,651
	<u>4,932,727</u>	<u>1,807,297</u>	<u>102,635</u>	<u>125,069</u>	<u>6,967,728</u>
UTILITIES	-	-	442,662	-	442,662
INSURANCE	-	-	-	1,022,954	1,022,954
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	45,327	45,327
Travel and meetings	-	-	-	403,330	403,330
Advertising	-	-	-	706,092	706,092
Facilities	-	-	42,483	-	42,483
Other	-	-	-	48,066	48,066
	<u>-</u>	<u>-</u>	<u>42,483</u>	<u>1,202,815</u>	<u>1,245,298</u>
TOTAL EXPENSES	<u>\$ 24,477,821</u>	<u>\$ 7,232,697</u>	<u>\$ 1,405,849</u>	<u>\$ 7,667,528</u>	<u>\$ 40,783,895</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Directly Operated

For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ 9,330,756	\$ -	\$ -	\$ -	\$ 9,330,756
Other salaries	846,816	1,122,393	222,760	3,670,820	5,862,789
	<u>10,177,572</u>	<u>1,122,393</u>	<u>222,760</u>	<u>3,670,820</u>	<u>15,193,545</u>
FRINGE BENEFITS	9,176,943	1,089,335	212,974	3,199,125	13,678,377
SERVICES					
Professional and technical	28,456	-	52	1,219,946	1,248,454
Contract and maintenance	-	331,064	837,649	-	1,168,713
Security	-	-	4,490	174,907	179,397
Other	36,750	3,182	41,708	104,584	186,224
	<u>65,206</u>	<u>334,246</u>	<u>883,899</u>	<u>1,499,437</u>	<u>2,782,788</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	2,960,036	66,107	-	-	3,026,143
Tires and tubes	141,450	2,077	-	-	143,527
Other materials	46,180	576,360	137,935	148,879	909,354
	<u>3,147,666</u>	<u>644,544</u>	<u>137,935</u>	<u>148,879</u>	<u>4,079,024</u>
UTILITIES	-	-	594,911	-	594,911
INSURANCE	-	-	-	1,593,032	1,593,032
PURCHASED TRANSPORTATION	-	-	-	-	-
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	60,917	60,917
Travel and meetings	-	-	-	542,051	542,051
Advertising	-	-	-	10,495	10,495
Facilities	-	-	57,094	-	57,094
Other	-	-	-	64,598	64,598
	<u>-</u>	<u>-</u>	<u>57,094</u>	<u>678,061</u>	<u>735,155</u>
TOTAL EXPENSES	<u><u>\$ 22,567,387</u></u>	<u><u>\$ 3,190,518</u></u>	<u><u>\$ 2,109,573</u></u>	<u><u>\$ 10,789,354</u></u>	<u><u>\$ 38,656,832</u></u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Fixed Route Purchased Transportation

For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	123,708	52,252	41,458	291,500	508,918
	<u>123,708</u>	<u>52,252</u>	<u>41,458</u>	<u>291,500</u>	<u>508,918</u>
FRINGE BENEFITS	202,609	88,357	67,862	472,097	830,925
SERVICES					
Professional and technical	2,459	-	4	97,395	99,858
Contract and maintenance	-	266,304	70,901	10,041	347,246
Security	-	-	313	12,193	12,506
Other	-	-	2,908	8,787	11,695
	<u>2,459</u>	<u>266,304</u>	<u>74,126</u>	<u>128,416</u>	<u>471,305</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	4,738	3,689	-	-	8,427
Tires and tubes	10,869	149	-	-	11,018
Other materials	3,027	109,624	9,616	11,718	133,985
	<u>18,634</u>	<u>113,462</u>	<u>9,616</u>	<u>11,718</u>	<u>153,430</u>
UTILITIES	-	-	41,472	-	41,472
INSURANCE	-	-	-	134,839	134,839
PURCHASED TRANSPORTATION	1,707,950	-	-	-	1,707,950
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	4,247	4,247
Travel and meetings	-	-	-	37,787	37,787
Advertising	-	-	-	66,184	66,184
Facilities	-	-	3,980	-	3,980
Other	-	-	-	4,503	4,503
	<u>-</u>	<u>-</u>	<u>3,980</u>	<u>112,721</u>	<u>116,701</u>
TOTAL EXPENSES	<u>\$ 2,055,360</u>	<u>\$ 520,375</u>	<u>\$ 238,514</u>	<u>\$ 1,151,291</u>	<u>\$ 3,965,540</u>

Delaware Transit Corporation

Schedule of Expenses by Mode - Paratransit Purchased Transportation

For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	40,462	36,378	34,224	272,504	383,568
	<u>40,462</u>	<u>36,378</u>	<u>34,224</u>	<u>272,504</u>	<u>383,568</u>
FRINGE BENEFITS	80,804	73,732	67,396	532,849	754,781
SERVICES					
Professional and technical	-	-	3	90,397	90,400
Contract and maintenance	-	11,216	49,361	-	60,577
Security	-	-	293	11,404	11,697
Other	-	-	2,719	6,819	9,538
	<u>-</u>	<u>11,216</u>	<u>52,376</u>	<u>108,620</u>	<u>172,212</u>
MATERIALS AND SUPPLIES					
Fuel and lubes	2,682	2,568	-	-	5,250
Tires and tubes	7,263	103	-	-	7,366
Other materials	2,736	23,864	8,994	9,707	45,301
	<u>12,681</u>	<u>26,535</u>	<u>8,994</u>	<u>9,707</u>	<u>57,917</u>
UTILITIES	-	-	38,789	-	38,789
INSURANCE	-	-	-	93,875	93,875
PURCHASED TRANSPORTATION	1,244,640	-	-	-	1,244,640
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	3,972	3,972
Travel and meetings	-	-	-	35,342	35,342
Advertising	-	-	-	684	684
Facilities	-	-	3,723	-	3,723
Other	-	-	-	4,212	4,212
	<u>-</u>	<u>-</u>	<u>3,723</u>	<u>44,210</u>	<u>47,933</u>
TOTAL EXPENSES	<u>\$ 1,378,587</u>	<u>\$ 147,861</u>	<u>\$ 205,502</u>	<u>\$ 1,061,765</u>	<u>\$ 2,793,715</u>

Delaware Transit Corporation
Schedule of Expenses by Mode - Rail
For the Year Ended June 30, 2008

	Vehicle Operations (10)	Vehicle Maintenance (41)	Nonvehicle Maintenance (42)	General Administration (160)	Totals
LABOR					
Operator salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other salaries	-	-	13,566	42,907	56,473
	-	-	13,566	42,907	56,473
FRINGE BENEFITS	-	-	2,997	11,943	14,940
SERVICES					
Professional and technical	-	-	-	48,821	48,821
Contract and maintenance	-	-	-	-	-
Security	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	48,821	48,821
MATERIALS AND SUPPLIES					
Fuel and lubes	-	-	-	-	-
Tires and tubes	-	-	-	-	-
Other materials	-	-	-	-	-
	-	-	-	-	-
UTILITIES	-	-	-	-	-
INSURANCE	-	-	-	-	-
PURCHASED TRANSPORTATION	7,178,496	-	-	-	7,178,496
MISCELLANEOUS EXPENSES					
Dues and subscriptions	-	-	-	-	-
Travel and meetings	-	-	-	-	-
Advertising	-	-	-	-	-
Facilities	-	-	-	-	-
Other	-	-	-	-	-
	-	-	-	-	-
TOTAL EXPENSES	<u>\$ 7,178,496</u>	<u>\$ -</u>	<u>\$ 16,563</u>	<u>\$ 103,671</u>	<u>\$ 7,298,730</u>